

AUDIT COMMUNICATION AND
REPORT OF COMMENTS AND RECOMMENDATIONS

January 22, 2009

To the Township Board
Charter Township of Portsmouth
Bay County, Michigan

We have audited the financial statements of the Charter Township of Portsmouth for the year ended December 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Charter Township of Portsmouth in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Charter Township of Portsmouth
Bay County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated December 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2008

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

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INDEPENDENT AUDITOR'S REPORT

January 22, 2009

To the Township Board
Charter Township of Portsmouth
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Charter Township of Portsmouth, Bay County, Michigan as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Portsmouth's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Charter Township of Portsmouth, Bay County, Michigan as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, of these activities and funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2008

The Management's Discussion and Analysis report of the Charter Township of Portsmouth covers the Township's financial performance during the year ended December 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at December 31, 2008, totaled \$1,291,292.88 for governmental activities and \$4,392,325.29 for business-type activities.

Overall revenues were \$1,321,052.38 (\$778,051.71 from governmental activities and \$543,000.67 from business-type activities). Overall Township activities had a \$145,848.92 increase in net assets in 2008.

Taxable value was \$87,798,944.00.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, the Water Fund and the Sewer Fund.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

CONDENSED FINANCIAL INFORMATION
December 31, 2008

	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Current Assets	1 008 008	937 731	1 269 412	1 249 019	2 277 420	2 186 750
Capital Assets	<u>788 191</u>	<u>809 587</u>	<u>6 832 352</u>	<u>6 583 536</u>	<u>7 620 543</u>	<u>7 393 123</u>
Total Assets	<u>1 796 199</u>	<u>1 747 318</u>	<u>8 101 764</u>	<u>7 832 555</u>	<u>9 897 963</u>	<u>9 579 873</u>
Current Liabilities	435 712	456 025	898 092	901 382	1 333 804	1 357 407
Non-current Liabilities	<u>-</u>	<u>-</u>	<u>3 026 390</u>	<u>2 538 848</u>	<u>3 026 390</u>	<u>2 538 848</u>
Total Liabilities	<u>435 712</u>	<u>456 025</u>	<u>3 924 482</u>	<u>3 440 230</u>	<u>4 360 194</u>	<u>3 896 255</u>
Net Assets:						
Invested in Capital Assets	788 191	809 587	3 805 962	4 044 688	4 594 153	4 854 275
Restricted	-	-	371 320	347 637	371 320	347 637
Unrestricted	<u>572 296</u>	<u>481 706</u>	<u>-</u>	<u>-</u>	<u>572 296</u>	<u>481 706</u>
Total Net Assets	<u>1 360 487</u>	<u>1 291 293</u>	<u>4 177 282</u>	<u>4 392 325</u>	<u>5 537 769</u>	<u>5 683 618</u>
	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Program Revenues:						
Fees and Charges for services	253 562	249 655	206 610	212 488	460 172	462 143
General Revenues:						
Property Taxes	200 500	210 708	-	-	200 500	210 708
State:						
Revenue Sharing	259 652	257 889	-	-	259 652	257 889
Interest	33 490	11 467	77 267	51 669	110 757	63 136
Miscellaneous	<u>37 198</u>	<u>48 333</u>	<u>335 283</u>	<u>278 843</u>	<u>372 481</u>	<u>327 176</u>
Total Revenues	<u>784 402</u>	<u>778 052</u>	<u>619 160</u>	<u>543 000</u>	<u>1 403 562</u>	<u>1 321 052</u>
Program Expenses:						
General Government and Administration	213 082	204 962	-	-	213 082	204 962
Public Safety	227 977	216 045	-	-	227 977	216 045
Public Works	340 971	368 893	339 254	327 957	680 228	696 850
Recreation and Culture	980	980	-	-	980	980
Other	<u>58 550</u>	<u>56 366</u>	<u>-</u>	<u>-</u>	<u>58 550</u>	<u>56 366</u>
Total Expenses	<u>841 560</u>	<u>847 246</u>	<u>339 254</u>	<u>327 957</u>	<u>1 180 814</u>	<u>1 175 203</u>
Increase (Decrease) in Net Assets	(57 158)	(69 194)	279 906	215 043	222 748	145 849
Net Assets, January 1	<u>1 417 645</u>	<u>1 360 487</u>	<u>3 897 376</u>	<u>4 177 282</u>	<u>5 315 021</u>	<u>5 537 769</u>
Net Assets, December 31	<u>1 360 487</u>	<u>1 291 293</u>	<u>4 177 282</u>	<u>4 392 325</u>	<u>5 537 769</u>	<u>5 683 618</u>

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund.

Business-Type Funds: The Township has a Water Fund and a Sewer Fund which includes the activity of providing revenue to pay bond debt.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

We continue to pay required amounts on our sewer and water loans as special assessments and debt service are collected.

The sewer bond (\$7,250,000.00) has a principal balance of \$1,725,000.00 with payments scheduled through 2012. Special assessment and debt service revenue appear to be sufficient to cover these bond payments.

1977 Merritt/Portsmouth Water Bond Issue (Portsmouth share \$233,436.00): This issue has a principal balance of \$81,385.00 with payments scheduled through 2016. Debt service revenue appears to be sufficient to cover these payments.

1998 Merritt/Portsmouth Water Bond Issue (Portsmouth share \$1,316,000.00): This issue has a principal balance of \$732,462.90 with payments scheduled through 2018. Special assessment and debt service revenue appears to be sufficient to cover these payments.

Our cash position in both governmental and business-type activities remain strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are Highways and Streets which incurred expenses of \$210,872.93 and Fire Protection with expenditures of \$86,731.21. Contracted Trash Collection is a significant expenditure each year, \$152,043.11 in 2008. These funds are provided by a special assessment, updated yearly, on all residences.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$65,472.98 in capital assets.

The Township's business-type activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

The Township's business-type activities paid \$77,542.32 of principal on the Water Bonds payable, and \$410,000.00 of principal on the Sewer Bonds payable.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2008

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads and water, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenue it receives. If you have any questions about this report or need additional information, we welcome you to contact the Township office at 989-892-7221.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
CURRENT ASSETS:			
Cash on hand	100 00	-	100 00
Cash in bank	600 715 84	435 516 52	1 036 232 36
Taxes receivable	221 184 13	136 365 60	357 549 73
Special assessments receivable	-	661 464 24	661 464 24
Internal balances	70 040 85	(70 040 85)	-
Due from State of Michigan	45 690 00	-	45 690 00
Due from other units	-	85 714 17	85 714 17
Total Current Assets	<u>937 730 82</u>	<u>1 249 019 68</u>	<u>2 186 750 50</u>
NON-CURRENT ASSETS:			
Capital Assets	1 356 484 31	10 042 038 00	11 398 522 31
Less: Accumulated Depreciation	<u>(546 896 92)</u>	<u>(3 458 502 00)</u>	<u>(4 005 398 92)</u>
Total Non-current Assets	<u>809 587 39</u>	<u>6 583 536 00</u>	<u>7 393 123 39</u>
TOTAL ASSETS	<u><u>1 747 318 21</u></u>	<u><u>7 832 555 68</u></u>	<u><u>9 579 873 89</u></u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	19 435 86	-	19 435 86
Accrued payroll taxes	3 128 14	-	3 128 14
Deferred revenue	<u>433 461 33</u>	<u>901 382 49</u>	<u>1 334 843 82</u>
Total Current Liabilities	<u>456 025 33</u>	<u>901 382 49</u>	<u>1 357 407 82</u>
NON-CURRENT LIABILITIES:			
Contracts payable	<u>-</u>	<u>2 538 847 90</u>	<u>2 538 847 90</u>
Total Non-current Liabilities	<u>-</u>	<u>2 538 847 90</u>	<u>2 538 847 90</u>
Total Liabilities	<u>456 025 33</u>	<u>3 440 230 39</u>	<u>3 896 255 72</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	809 587 39	4 044 688 10	4 854 275 49
Restricted for debt service	-	347 637 19	347 637 19
Unrestricted	<u>481 705 49</u>	<u>-</u>	<u>481 705 49</u>
Total Net Assets	<u>1 291 292 88</u>	<u>4 392 325 29</u>	<u>5 683 618 17</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 747 318 21</u></u>	<u><u>7 832 555 68</u></u>	<u><u>9 579 873 89</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended December 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	10 450 00	-	(10 450 00)
General government	194 512 25	57 962 39	(136 549 86)
Public safety	216 044 94	17 423 00	(198 621 94)
Public works	368 892 60	174 269 00	(194 623 60)
Recreation and culture	979 99	-	(979 99)
Other	56 366 45	-	(56 366 45)
	<u>847 246 23</u>	<u>249 654 39</u>	<u>(597 591 84)</u>
Total Governmental Activities			
Business-Type Activities:			
Water and sewer	327 957 23	212 488 16	-
	<u>327 957 23</u>	<u>212 488 16</u>	<u>-</u>
Total Business-Type Activities			
	<u>327 957 23</u>	<u>212 488 16</u>	<u>-</u>
Total Government	<u>1 175 203 46</u>	<u>37 166 23</u>	<u>(597 591 84)</u>
General Revenues:			
Property taxes			210 708 21
State revenue sharing			257 888 87
Interest			11 467 38
Miscellaneous			<u>48 332 86</u>
Total General Revenues			<u>528 397 32</u>
Change in net assets			(69 194 52)
Net assets, beginning of year			<u>1 360 487 40</u>
Net Assets, End of Year			<u>1 291 292 88</u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities	Total
Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
-	(10 450 00)
-	(136 549 86)
-	(198 621 94)
-	(194 623 60)
-	(979 99)
-	(56 366 45)
-	(597 591 84)
(115 469 07)	(115 469 07)
(115 469 07)	(115 469 07)
(115 469 07)	(713 060 91)
-	210 708 21
-	257 888 87
51 668 91	63 136 29
278 843 60	327 176 46
330 512 51	858 909 83
215 043 44	145 848 92
4 177 281 85	5 537 769 25
4 392 325 29	5 683 618 17

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2008

	<u>General</u>
<u>Assets</u>	
Cash on hand	100 00
Cash in bank	402 073 09
Due from Current Tax Collection Fund	416 943 30
Due from Agency Fund	2 883 58
Due from Sewer Fund	70 040 85
Due from State of Michigan	<u>45 690 00</u>
Total Assets	<u><u>937 730 82</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	19 435 86
Accrued payroll taxes	3 128 14
Deferred revenue	<u>433 461 33</u>
Total liabilities	<u>456 025 33</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>481 705 49</u>
Total fund equity	<u>481 705 49</u>
Total Liabilities and Fund Equity	<u><u>937 730 82</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	481 705 49
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 356 484 31
Accumulated depreciation	<u>(546 896 92)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>1 291 292 88</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended December 31, 2008

	<u>General</u>
Revenues:	
Property taxes	210 708 21
Licenses and permits	34 986 17
State revenue sharing	257 888 87
Charges for services	40 399 22
Interest	11 467 38
Special assessments	174 269 00
Miscellaneous	<u>48 332 86</u>
Total Revenues	<u>778 051 71</u>
Expenditures:	
Legislative:	
Township Board	10 450 00
General government:	
Supervisor	17 460 00
Elections	8 880 72
Assessor	20 500 00
Clerk	17 489 96
Board of Review	1 206 15
Treasurer	17 100 00
Building and grounds	39 489 10
Unallocated	61 294 98
Public safety:	
Law enforcement	77 522 59
Fire protection	86 731 21
Inspection	13 213 17
Planning and zoning	6 573 00
Public works:	
Highways and streets	210 872 93
Drains	5 976 56
Sanitation	152 043 11
Other:	
Retirement plan	24 970 45
Insurance	31 396 00
Capital outlay	<u>65 472 98</u>
Total expenditures	<u>868 642 91</u>
Excess (deficiency) of revenues over expenditures	(90 591 20)
Fund balance, January 1	<u>572 296 69</u>
Fund Balance, December 31	<u><u>481 705 49</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2008

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (90 591 20)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(44 076 30)
Capital Outlay	<u>65 472 98</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (69 194 52)

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS
December 31, 2008

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	321 991 18	113 525 34	435 516 52
Taxes receivable	36 933 05	99 432 55	136 365 60
Special assessments receivable	494 361 13	167 103 11	661 464 24
Internal balances	-	(70 040 85)	(70 040 85)
Due from other units	<u>-</u>	<u>85 714 17</u>	<u>85 714 17</u>
Total Current Assets	<u>853 285 36</u>	<u>395 734 32</u>	<u>1 249 019 68</u>
NON-CURRENT ASSETS:			
Capital Assets	2 362 505 00	7 679 533 00	10 042 038 00
Less: Accumulated Depreciation	<u>(695 554 00)</u>	<u>(2 762 948 00)</u>	<u>(3 458 502 00)</u>
Total Non-current Assets	<u>1 666 951 00</u>	<u>4 916 585 00</u>	<u>6 583 536 00</u>
TOTAL ASSETS	<u><u>2 520 236 36</u></u>	<u><u>5 312 319 32</u></u>	<u><u>7 832 555 68</u></u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Deferred revenue	<u>572 471 73</u>	<u>328 910 76</u>	<u>901 382 49</u>
Total Current Liabilities	<u>572 471 73</u>	<u>328 910 76</u>	<u>901 382 49</u>
NON-CURRENT LIABILITIES:			
Contracts payable	<u>813 847 90</u>	<u>1 725 000 00</u>	<u>2 538 847 90</u>
Total Non-current Liabilities	<u>813 847 90</u>	<u>1 725 000 00</u>	<u>2 538 847 90</u>
Total Liabilities	<u>1 386 319 63</u>	<u>2 053 910 76</u>	<u>3 440 230 39</u>
NET ASSETS:			
Invested in Capital Assets,			
Net of Related Debt	853 103 10	3 191 585 00	4 044 688 10
Restricted for debt service	<u>280 813 63</u>	<u>66 823 56</u>	<u>347 637 19</u>
Total Net Assets	<u>1 133 916 73</u>	<u>3 258 408 56</u>	<u>4 392 325 29</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>2 520 236 36</u></u>	<u><u>5 312 319 32</u></u>	<u><u>7 832 555 68</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –
BUSINESS-TYPE FUNDS
Year ended December 31, 2008

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services:			
Special assessments	<u>52 397 50</u>	<u>160 090 66</u>	<u>212 488 16</u>
Total Operating Revenues	<u>52 397 50</u>	<u>160 090 66</u>	<u>212 488 16</u>
OPERATING EXPENSES:			
Depreciation	<u>56 773 00</u>	<u>192 043 00</u>	<u>248 816 00</u>
Total Operating Expenses	<u>56 773 00</u>	<u>192 043 00</u>	<u>248 816 00</u>
Operating Income (loss)	<u>(4 375 50)</u>	<u>(31 952 34)</u>	<u>(36 327 84)</u>
NON-OPERATING REVENUES (EXPENSES):			
Transfers from Bay Co. Water and Sewer	9 528 00	269 315 60	278 843 60
Interest income	35 492 38	16 176 53	51 668 91
Interest expense	<u>(36 441 23)</u>	<u>(42 700 00)</u>	<u>(79 141 23)</u>
Total Non-operating Revenues (Expenses)	<u>8 579 15</u>	<u>242 792 13</u>	<u>251 371 28</u>
Change in net assets	4 203 65	210 839 79	215 043 44
Net assets, beginning of year	<u>1 129 713 08</u>	<u>3 047 568 77</u>	<u>4 177 281 85</u>
Net Assets, End of Year	<u><u>1 133 916 73</u></u>	<u><u>3 258 408 56</u></u>	<u><u>4 392 325 29</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS
Year ended December 31, 2008

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	<u>52 397 50</u>	<u>160 090 66</u>	<u>212 488 16</u>
Net cash provided (used) by operating activities	<u>52 397 50</u>	<u>160 090 66</u>	<u>212 488 16</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Net increase (decrease) in cash from CTC Fund recognized in deferred revenue	<u>12 067 06</u>	<u>28 342 88</u>	<u>40 409 94</u>
Net cash provided (used) for non-capital financing activities	<u>12 067 06</u>	<u>28 342 88</u>	<u>40 409 94</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Cash transferred from Bay Co. W & S	9 528 00	278 350 00	287 878 00
Principal on contracts payable	(77 542 32)	(410 000 00)	(487 542 32)
Interest on contracts payable	<u>(36 441 23)</u>	<u>(42 700 00)</u>	<u>(79 141 23)</u>
Net cash provided (used) by capital and related financing activities	<u>(104 455 55)</u>	<u>(174 350 00)</u>	<u>(278 805 55)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	<u>35 492 38</u>	<u>16 176 53</u>	<u>51 668 91</u>
Net increase (decrease) in cash	(4 498 61)	30 260 07	25 761 46
Cash beginning of year	<u>326 489 79</u>	<u>83 265 27</u>	<u>409 755 06</u>
Cash End of Year	<u><u>321 991 18</u></u>	<u><u>113 525 34</u></u>	<u><u>435 516 52</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Income (loss) from operations	(4 375 50)	(31 952 34)	(36 327 84)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	<u>56 773 00</u>	<u>192 043 00</u>	<u>248 816 00</u>
Net Cash Provided (Used) in Operating Activities	<u><u>52 397 50</u></u>	<u><u>160 090 66</u></u>	<u><u>212 488 16</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Portsmouth, Bay County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Charter Township of Portsmouth. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Funds

These funds are used to account for assets held as an agent for others.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 2.40 mills, and the taxable value was \$87,798,944.00.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	30-60 years
Vehicles and equipment	3-35 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 2 – Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 367 792 61</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>1 301 192 11</u>
Total Deposits	<u>1 401 192 11</u>

The Charter Township of Portsmouth did not have any investments as of December 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 3 – Deposits and Investments (continued)

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	Balance 1/1/08	Additions	Deletions	Balance 12/31/08
<u>Governmental Activities:</u>				
Land	212 975 00	-	-	212 975 00
Buildings	299 300 00	-	-	299 300 00
Equipment	<u>778 736 33</u>	<u>65 472 98</u>	<u>-</u>	<u>844 209 31</u>
Total	1 291 011 33	65 472 98	-	1 356 484 31
Accumulated Depreciation	<u>(502 820 62)</u>	<u>(44 076 30)</u>	<u>-</u>	<u>(546 896 92)</u>
Net Governmental Capital Assets	<u>788 190 71</u>	<u>21 396 68</u>	<u>-</u>	<u>809 587 39</u>
<u>Business-Type Activities:</u>				
Water System	2 362 505 00	-	-	2 362 505 00
Sewer System	<u>7 679 533 00</u>	<u>-</u>	<u>-</u>	<u>7 679 533 00</u>
Total	10 042 038 00	-	-	10 042 038 00
Accumulated Depreciation	<u>(3 209 686 00)</u>	<u>(248 816 00)</u>	<u>-</u>	<u>(3 458 502 00)</u>
Net Business-Type Capital Assets	<u>6 832 352 00</u>	<u>(248 816 00)</u>	<u>-</u>	<u>6 583 536 00</u>

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	2 883 58	Agency	2 883 58
General	70 040 85	Sewer	70 040 85
General	416 943 30	Current Tax Collection	656 861 55
Sewer	161 807 65		
Water	78 110 60		
Total	<u>729 785 98</u>	Total	<u>729 785 98</u>

Note 6 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 1/1/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/08</u>
Contracts payable –1977 Bay County Water	90 913 00	-	9 528 00	81 385 00
Contract payable – 1998 Bay County Water	800 477 22	-	68 014 32	732 462 90
Contract payable – 1990 Bay County Sewage – Series I	1 820 000 00	-	355 000 00	1 465 000 00
Contract payable – 1990 Bay County Sewage – Series II	315 000 00	-	55 000 00	260 000 00
Total	<u>3 026 390 22</u>	<u>-</u>	<u>487 542 32</u>	<u>2 538 847 90</u>

Note 7 – Contract Payable – 1977 Bay County Water Supply System (Merritt – Portsmouth)

On May 19, 1977, pursuant to an agreement with the Townships of Portsmouth and Merritt, Bay County, issued \$588,000.00 of its bonds to finance the cost of acquisition of water facilities in the Townships. The Township of Portsmouth is responsible for \$233,436.00, 39.7% of the project, and the Township of Merritt is responsible for \$354,564.00, 60.3% of the project. Under this agreement, the Township becomes liable for its share of the bond issue and interest thereon in the event that revenues derived from charges to the system users are insufficient to pay therefore. As of December 31, 2008, the bonds outstanding amounted to \$205,000.00 plus interest. Portsmouth Township's portion of the bonds outstanding is \$81,385.00 and they are backed by the full faith and credit of the Township.

In addition, the terms of the agreement provide for the Township to be liable for any deficiencies in user charges necessary to cover operation and maintenance of the system, as well as any repairs and replacements or extensions and improvements that are made for the benefit of the Township.

The agreement also provides that the County will own the system, and that the system will be operated by the Board of County Road Commissioners as the County's agent until the lessor of forty years or the retirement of all the bonds and related interest. Upon the occurrence of one of these events, the agreement is terminated and title to the system is transferred to the Townships of Portsmouth and Merritt based on their pro rata portion. The following is the detail of bonds outstanding at December 31, 2008. In addition, the Township is obligated to pay its pro rata share of the interest.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 7 – Contract Payable – 1977 Bay County Water Supply System (Merritt – Portsmouth) (continued)

<u>Bond Numbers</u>	<u>Due Date</u>	<u>Total Principal</u>	<u>Portsmouth Township Portion</u>
384-409	4/1/09	26,000	10,322
410-435	4/1/10	26,000	10,322
436-461	4/1/11	26,000	10,322
462-487	4/1/12	26,000	10,322
488-513	4/1/13	26,000	10,322
514-538	4/1/14	25,000	9,925
539-563	4/1/15	25,000	9,925
564-588	4/1/16	25,000	9,925
Total Outstanding		<u>205,000</u>	<u>81,385</u>

Note 8 – Contract Payable - 1998 Bay County Water Supply System (Merritt-Portsmouth Extension)

On May 1, 1998, the Township entered into an agreement with Bay County to acquire and construct water storage facilities in the Township. Pursuant to the agreement Bay County issued its bonds to finance the cost of the project. Under the agreement the Township pledges its full faith and credit for payment of the bond issue and, interest thereon in the event that revenues derived from charges to the systems users are insufficient to pay therefore. As of December 31, 2008, the Township of Portsmouth's portion of the bonds outstanding amounted to \$732,462.90 plus interest. The following is a detail of bonds outstanding at December 31, 2008. In addition the Township is obligated to pay interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
5/1/09	4.70	70,630.29
5/1/10	4.70	70,630.25
5/1/11	4.70	70,630.25
5/1/12	4.75	70,630.25
5/1/13	4.75	73,246.19
5/1/14	4.75	73,246.19
5/1/15	4.75	75,862.12
5/1/16	4.75	75,862.12
5/1/17	4.75	75,862.12
5/1/18	4.75	75,863.12
Total Outstanding		<u>732,462.90</u>

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 9 – Contract Payable – 1990 Bay County Sewage Disposal System (Portsmouth Charter Township)

On November 1, 1990, the Township entered into an agreement with Bay County to acquire and construct sanitary sewage facilities in the Township. Pursuant to the agreement Bay County issued \$6,000,000.00 and \$1,250,000.00 of its bonds to finance the cost of the project. Under the agreement the Township pledged its full faith and credit for payment of the bond issues and interest thereon in the event that revenues derived from charges to the systems users are insufficient to pay therefore. As of December 31, 2008, the bonds outstanding amounted to \$1,725,000.00 plus interest. The following is the detail of the bonds outstanding at December 31, 2008. In addition the Township is obligated to pay interest on the bonds.

<u>Due Date</u>	<u>Total Principal</u>
10/1/09	415,000
10/1/10	425,000
10/1/11	435,000
10/1/12	<u>450,000</u>
Total Outstanding	<u><u>1,725,000</u></u>

Note 10 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 11 – Retirement Plan

The Township has a retirement plan whereby annuities are purchased on behalf of Township employees. All employees, with certain exceptions, are eligible for coverage. Payments to the plan are based on the annual earnings of participating employees. Under the plan, the Township pays three-fourths of the contributions and the participating employees pay the remaining one-fourth of contributions. Employees may contribute an additional 10% of their earnings on a voluntary basis. The Township's share of retirement contributions for the year ended December 31, 2008, was \$24,970.45.

Note 12 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 13 – Building Permits

As of December 31, 2008, the Township had building permit revenues of \$16,373.00 and building permit expenses of \$13,213.17.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	203 000 00	203 000 00	210 708 21	7 708 21
Licenses and permits	44 150 00	44 150 00	34 986 17	(9 163 83)
State revenue sharing	240 000 00	240 000 00	257 888 87	17 888 87
Charges for services	35 000 00	35 000 00	40 399 22	5 399 22
Interest	25 000 00	25 000 00	11 467 38	(13 532 62)
Special assessments	175 000 00	175 000 00	174 269 00	(731 00)
Miscellaneous	31 000 00	31 000 00	48 332 86	17 332 86
Total revenues	753 150 00	753 150 00	778 051 71	24 901 71
Expenditures:				
Legislative:				
Township Board	10 600 00	10 600 00	10 450 00	(150 00)
General government:				
Supervisor	17 600 00	17 600 00	17 460 00	(140 00)
Elections	6 000 00	10 000 00	8 880 72	(1 119 28)
Assessor	21 000 00	21 000 00	20 500 00	(500 00)
Clerk	17 600 00	17 600 00	17 489 96	(110 04)
Board of Review	2 000 00	2 000 00	1 206 15	(793 85)
Treasurer	17 600 00	17 600 00	17 100 00	(500 00)
Building and grounds	54 000 00	54 000 00	39 489 10	(14 510 90)
Unallocated	98 000 00	98 000 00	61 294 98	(36 705 02)
Public safety:				
Law enforcement	78 000 00	78 000 00	77 522 59	(477 41)
Fire protection	95 000 00	95 000 00	86 731 21	(8 268 79)
Inspection	21 000 00	21 000 00	13 213 17	(7 786 83)
Planning and zoning	12 000 00	12 000 00	6 573 00	(5 427 00)
Public works:				
Highways and streets	190 000 00	220 000 00	210 872 93	(9 127 07)
Drains	10 000 00	10 000 00	8 976 56	(4 023 44)
Sanitation	160 000 00	160 000 00	152 043 11	(7 956 89)
Other:				
Retirement plan	32 000 00	32 000 00	24 970 45	(7 029 55)
Insurance	35 000 00	35 000 00	31 396 00	(3 604 00)
Capital outlay	16 000 00	81 000 00	65 472 98	(15 527 02)
Total expenditures	893 400 00	992 400 00	868 642 91	(123 757 09)
Excess (deficiency) of revenues over expenditures	(140 250 00)	(239 250 00)	(90 591 20)	148 658 80
Fund balance, January 1	418 000 00	395 000 00	572 296 69	177 296 69
Fund Balance, December 31	277 750 00	155 750 00	481 705 49	325 955 49

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2008

Township Board:	
Salaries	10 400 00
Miscellaneous	<u>50 00</u>
	<u>10 450 00</u>
Supervisor:	
Salary	17 100 00
Miscellaneous	<u>360 00</u>
	<u>17 460 00</u>
Elections:	
Wages	6 879 10
Supplies	1 679 53
Miscellaneous	<u>322 09</u>
	<u>8 880 72</u>
Assessor	<u>20 500 00</u>
Clerk:	
Salary	17 100 00
Miscellaneous	<u>389 96</u>
	<u>17 489 96</u>
Board of Review:	
Wages	1 071 88
Miscellaneous	<u>134 27</u>
	<u>1 206 15</u>
Treasurer:	
Salary	<u>17 100 00</u>
Building and grounds:	
Utilities	9 547 63
Repairs and maintenance	23 684 35
Supplies	1 971 06
Miscellaneous	<u>4 286 06</u>
	<u>39 489 10</u>
Unallocated:	
Printing and publishing	789 94
Supplies	4 383 94
Clerical assistance	15 395 00
Accounting fees	2 925 00
Audit fees	7 800 00
Legal fees	3 085 00
Payroll taxes	2 912 88
Dues	2 435 49
Conferences and workshops	3 588 19
Contracted services	1 000 00
Miscellaneous	<u>16 979 54</u>
	<u>61 294 98</u>
Law enforcement:	
Contracted services	<u>77 522 59</u>

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended December 31, 2008

Fire protection:	
Wages	69 404 45
Supplies	7 437 57
Repairs and maintenance	5 350 06
Miscellaneous	<u>4 539 13</u>
	<u>86 731 21</u>
Inspection:	
Building	9 969 75
Plumbing	1 467 42
Electrical	<u>1 776 00</u>
	<u>13 213 17</u>
Planning and zoning:	
Wages	<u>6 573 00</u>
Highways and streets:	
Contracted services	176 855 69
Street lighting	25 302 24
Street repairs and maintenance	<u>8 715 00</u>
	<u>210 872 93</u>
Drains	<u>5 976 56</u>
Sanitation:	
Contracted services	<u>152 043 11</u>
Retirement plan	<u>24 970 45</u>
Insurance	<u>31 396 00</u>
Capital outlay	<u>65 472 98</u>
Total Expenditures	<u><u>868 642 91</u></u>

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended December 31, 2008

	<u>Balance 1/1/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/08</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in bank	404 608 40	3 302 614 98	3 076 518 81	630 704 57
Taxes receivable	<u>984 722 20</u>	<u>3 297 543 40</u>	<u>3 490 811 27</u>	<u>791 454 33</u>
Total Assets	<u>1 389 330 60</u>	<u>6 600 158 38</u>	<u>6 567 330 08</u>	<u>1 422 158 90</u>
<u>Liabilities</u>				
Due to other funds	651 927 14	637 524 72	632 590 31	656 861 55
Due to other units	<u>737 403 46</u>	<u>2 471 822 39</u>	<u>2 443 928 50</u>	<u>765 297 35</u>
Total Liabilities	<u>1 389 330 60</u>	<u>3 109 347 11</u>	<u>3 076 518 81</u>	<u>1 422 158 90</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>25 38</u>	<u>53 738 17</u>	<u>50 712 47</u>	<u>3 051 08</u>
<u>Liabilities</u>				
Due to other funds	25 38	50 617 72	47 759 52	2 883 58
Due to other units	<u>-</u>	<u>3 120 45</u>	<u>2 952 95</u>	<u>167 50</u>
Total Liabilities	<u>25 38</u>	<u>53 738 17</u>	<u>50 712 47</u>	<u>3 051 08</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in bank	404 633 78	3 356 353 15	3 127 231 28	633 755 65
Taxes receivable	<u>984 722 20</u>	<u>3 297 543 40</u>	<u>3 490 811 27</u>	<u>791 454 33</u>
Total Assets	<u>1 389 355 98</u>	<u>6 653 896 55</u>	<u>6 618 042 55</u>	<u>1 425 209 98</u>
<u>Liabilities</u>				
Due to other funds	651 952 52	688 142 44	680 349 83	659 745 13
Due to other units	<u>737 403 46</u>	<u>2 474 942 84</u>	<u>2 446 881 45</u>	<u>765 464 85</u>
Total Liabilities	<u>1 389 355 98</u>	<u>3 163 085 28</u>	<u>3 127 231 28</u>	<u>1 425 209 98</u>